

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Executive Board
February 04, 2010

[LB1101 LB1109]

The Executive Board of the Legislative Council met at 12:00 p.m. on Thursday, February 4, 2010, in Room 2102 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB1109 and LB1101. Senators present: John Wightman, Chairperson; John Nelson, Vice Chairperson; Mark Christensen; Deb Fischer; Mike Flood; Russ Karpisek; Chris Langemeier; Tom White; and Lavon Heidemann. Senators absent: Rich Pahls. []

SENATOR WIGHTMAN: Good afternoon and welcome to the public hearing of the Executive Board of the Legislative Council. I would like to introduce those who are with us to the members of the Executive Board and the board staff and then briefly explain the procedure we will be following this afternoon. First, to my right is Janice Satra, legal counsel to the board; to her right is seated Senator John Nelson from Omaha, Vice Chair of the board; and to Senator Nelson's right and just sitting now at the present is Senator Russ Karpisek from Wilber. Next to Senator Karpisek's right is our Speaker, Mike Flood from Norfolk. And to his right is Senator Mark Christensen from Imperial. And to Senator Christensen's right is Senator Lavon Heidemann from Elk Creek. I'm Senator John Wightman. To my left is Jessica Shelburn, committee clerk. To her left is Senator Chris Langemeier from Schuyler; Senator Rich Pahls will not be with us today, he's from Omaha; Senator Deb Fischer, as far as I know, will be here later, she's from Valentine. And on the far left will be Senator Tom White from Omaha, who as far as I know will be here some time. We will first hear testimony from the introducer of the bill or resolution, bills in this case, followed by those in favor of it and then testimony in opposition. And finally, we will hear from those who have neutral testimony. We welcome anyone to testify but ask that you not be repetitive and that you try and keep your testimony to three minutes. Sign-in sheets are available at the testifier's table. Please fill the form out completely before you come up and hand it to the page before you begin your testimony. This will help us provide the transcriber an accurate record. When you testify, please state your name and spell it for the record. If you plan to testify, please come up to the front row to allow for a smooth transition between testifiers. There is also a form available for those of you who may wish to support or oppose a bill but do not want to testify. And we have some letters here today from people who may not be here. This form will become part of the official record. This form can also be found at the testifier's table. If you have printed materials please give them to a page, to our page so they can be distributed to the members of the board. We need 15 copies of any materials, so if you do not have enough copies the page can make some for you. Finally, I would ask that your turn off your cell phones or put them on silent or vibrate. The first bill we have up today is LB1109, and Senator Conrad is all ready from the "Fighting 46th," is that right? []

SENATOR CONRAD: That's right. []

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SENATOR WIGHTMAN: All ready here to introduce that bill to the committee. Welcome, Senator Conrad. []

SENATOR CONRAD: (Exhibits 1-3) Thank you, Senator Wightman. Thank you, members of the Executive Board. My name is Danielle Conrad, that's D-a-n-i-e-l-l-e Conrad, C-o-n-r-a-d. And I represent...have the distinct pleasure of representing the "Fightin' 46th Legislative District," here in our Nebraska Unicameral Legislature. Today I'm here to introduce LB1109. LB1109 establishes the Nebraska Innovation and High Wage Employment Act. And, colleagues, there's really two key components of this bill. Number one, it establishes an Innovation and Entrepreneurship Task Force comprised of legislators appointed by this Executive Board to develop a plan which includes an inventory of current state and locally sponsored programs and resources that are targeted to small businesses, microenterprises and other entrepreneurial endeavors in Nebraska. This plan shall also provide an overview of best practices from other states, including an examination of economic gardening, angel investor programs, venture capital, and other specific solution oriented policy options for future adoption. And I will turn your attention to some of the handouts that we passed around prior to my beginning this introduction which detail in some manner for you issues surrounding economic gardening and some of the other ideas proposed in this legislation that are for your reference and hopefully will be helpful to your consideration. The second key component of this legislation is that the task force made up of legislators would then commission a nonprofit organization, like Invest Nebraska, that has specific expertise on these issues to provide the research analysis and recommendations for development of a statewide strategic plan. Colleagues, this legislation is very specific and limited in scope. The task force will issue a report to the full Legislature by December 1, 2010, and this act would terminate in one year, on January 1, 2011. Funding for this task force will come from reallocation of existing funds in the Nebraska Microenterprise Act and will result in no new spending or fiscal impact to the General Fund, which I know is something we're all very concerned about this year. And we have worked very diligently with the Fiscal Office to try and identify existing funds for utilization of this legislation. Colleagues, over the past three years I've spent a great deal of time talking with economic development professionals, small business owners and entrepreneurs and other policymakers about what we can do in Nebraska to ensure our economic development tools are...that are targeted to small businesses, who are the key drivers in our ever-changing economic landscape, are as evolved and as competitive as they can be. I know that conversations about issues surrounding economic gardening, venture capital, angel investors and other issues contemplated in this legislation are happening all across our great state. The process envisioned in this legislation is necessary to ensure that we give those very conversations a formal, statewide platform to expand that dialogue. It also will help to provide assurances to us and other policymakers that we, as a state, are utilizing the limited resources we have available for economic development purposes to their best and highest purpose. Additionally, as senators we should constantly be evaluating our existing policy frameworks to ensure that it is

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responsive and evolved to meet changing economic conditions. And this will help us to educate ourselves about these and other new innovation and new economy issues. With that, I want to thank you for your time and your kind consideration of this legislation and urge your support of LB1109. Colleagues, I'm happy to answer any questions but as you can see we have a chorus of folks here with specific expertise on these issues that will be of assistance to your consideration as well. With that... [LB1109]

SENATOR WIGHTMAN: Senator Conrad, are you proposing this amendment, AM1755 at this time? [LB1109]

SENATOR CONRAD: Senator Wightman, we passed along that amendment to be of assistance to the committee and for their consideration in terms of addressing any technical issues related to structure or funding of this task force if we do move forward. I would essentially envision that to be utilized as a vehicle for committee amendment if need be. [LB1109]

SENATOR WIGHTMAN: So you would be proposing it probably as a committee then and go... [LB1109]

SENATOR CONRAD: Yes. I'm not inserting it...presenting it specifically with the legislation today but rather as an option for the committee to look at when evaluating this policy. [LB1109]

SENATOR WIGHTMAN: You would refine the contents of the bill and then provide a different method of funding is basically... [LB1109]

SENATOR CONRAD: What's that? [LB1109]

SENATOR WIGHTMAN: It would refine the contents of the bill and provide a different method of funding. [LB1109]

SENATOR CONRAD: It specifies a little bit more clearly. I think, in the original green copy of the bill there is a range of senators that would be appointed to the task force. It says in between six and ten, I think it specifies it to a certain set number of senators. And then also clarifies the reallocation of the existing fund component. So, hopefully, it will be useful to the committee if they decide to move forward with this effort. [LB1109]

SENATOR WIGHTMAN: Thank you, Senator Conrad. Senator Flood. [LB1109]

SENATOR FLOOD: Thank you, Chairman Wightman. Senator Conrad, this may be a better question for those coming. But just to kind of raise the issue, in Section 3 we talk about a...developing a nonprofit corporation for the purposes of accomplishing this act. I guess, I see where everything is going in your bill. I don't know how we, as a

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Legislature, state government, can develop a nonprofit through the Nonprofit Corporation Act. Would the state of Nebraska, Legislature, Legislative Council be the member of that nonprofit? And would we be incorporators in our official capacity as state agents? And would that nonprofit, you know, have we ever done anything like that before? You may have answered it, they may answer, just interested. [LB1109]

SENATOR CONRAD: Sure. Well, I'd be happy to take the first stab at it. But to look at page 2, Section 3, in the section that you have referenced, I know there are legal terms of art in everything that we do. And to be clear, Senator Flood, our intent was not to create, initiate or commission a new nonprofit but rather utilize the word "commission" in terms of providing an example of how we as the legislative task force would contract with an existing nonprofit like Invest Nebraska to staff and conduct the empirical analysis related thereto. [LB1109]

SENATOR FLOOD: Okay. That clears that up for me. Thank you. [LB1109]

SENATOR WIGHTMAN: Thank you, Senator Flood. Senator Fischer. [LB1109]

SENATOR FISCHER: Thank you, Chairman Wightman. Thank you, Senator Conrad, for being here. In reading the fiscal note, what two programs within the Department of Economic Development would see their funding reallocated so that money would go for this program? [LB1109]

SENATOR CONRAD: Specifically, Senator Fischer, we are looking at utilizing unallocated existing resources within the context of the Microenterprise Fund. [LB1109]

SENATOR WIGHTMAN: Thank you, Senator Fischer. [LB1109]

SENATOR FISCHER: And which...oh. [LB1109]

SENATOR WIGHTMAN: Excuse me. Go ahead. [LB1109]

SENATOR FISCHER: If I could continue. [LB1109]

SENATOR WIGHTMAN: Sure. [LB1109]

SENATOR FISCHER: Any other programs or was the entire \$100,000 from the microenterprise? [LB1109]

SENATOR CONRAD: I believe it was solely from the Microenterprise Fund. But I'm looking for my copy of the fiscal note just to ensure that that is accurate. [LB1109]

SENATOR FISCHER: And then...maybe you can get back to me on that. On the fiscal

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note it also says that any costs that legislators would assume in serving on this new task force that's setup, and I think it's between six and ten members of the body would be on there, that cost would be assumed by the Legislative Council in our budget. Do you think that's reasonable? [LB1109]

SENATOR CONRAD: I do, Senator Fischer, and I'll tell you how we came to the policy decision to address the framework in that manner. Really, when contemplating the issues surrounding this legislation I looked to other task forces that had been established in Nebraska in recent times to see what their makeup was and how they conducted their business and one roadblock that I identified early in that evaluation was that when we include members of the public at large or those who are outside of the context of this body, then because of other existing rules, regulations and statutes we would be required to provide reimbursement for travel and other related expenses. So that would have increased the fiscal component of conducting this kind of research. So in working with Fiscal and talking to other senators it seemed that if we were to utilize the existing resources that we have available to us as senators in the budget and otherwise, that that would be a way to keep costs down and, I think, additionally will be of great assistance in conducting this and moving forward because it will provide the senators who are members of the task force an ability to develop a real expertise and ownership on these issues. So when we have a package of substantive pieces for next year or the year beyond there will already be that basis of knowledge. [LB1109]

SENATOR FISCHER: You know, I understand what you're trying to accomplish here and I appreciate it. But as an Exec Board we've already talked about freezing staff salaries, the possibility of having to let staff go, we're limiting travel for senators, and now we're looking at establishing another task force with the costs that are assumed when that is undertaken. And I just have concerns with that. [LB1109]

SENATOR CONRAD: No, and I definitely appreciate those concerns, Senator Fischer. And want to compliment this committee on the good work that they have done in addressing budgetary issues related to the business of the Legislature. And as a member of the Appropriations Committee I'm very well in tune with those very concerns. And really this is indeed an attempt to try and conduct this important business in a manner that is as fiscally responsible and utilizing existing resources to the greatest extent possible. I'll tell you very frankly, in my time here I have not presented any task force bills because, for the most part, I prefer to pursue substantive policy issues rather than having more and more task forces out there looking at things. But it became very clear in my work on this over the interim and otherwise that this really does need to be a formal process over a period of some months, beyond just the introduction of a few bills that may or may not have any ability to move this year. And so I don't bring these kinds of bills lightly. You can check my track record on that. And it's something that I've made an exception for because I believe that it's that important. [LB1109]

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SENATOR FISCHER: Okay, thank you. [LB1109]

SENATOR WIGHTMAN: Thank you, Senator Fischer. Thank you, Senator Conrad. Senator Langemeier. [LB1109]

SENATOR LANGEMEIER: Thank you, Chairman Wightman. Senator Conrad, I appreciate you bringing this bill and I appreciate you being on Appropriations Committee to tie to this. During our last special session, and I also appreciate you saying there's \$100,000 extra in microenterprise that they're not using, Senator Haar brought an amendment on the floor to try and add money to microenterprise. And I got lobbied pretty hard that they were getting unduly cut and that there were going to be programs that would lose money. And it was kind of crisis from those that receive funds from microenterprise. So you still think there's \$100,000 that's just extra there that can be re...that isn't going to affect their programs? So they didn't take the hit they claimed they did or...? [LB1109]

SENATOR CONRAD: Well, Senator Langemeier, thank you for the question. And I think this is a good opportunity to talk about some of the important facets of this bill which includes an inventory and evaluation of existing programs like microenterprise that do exist. For the most part, I think that they're...these kinds of programs have enjoyed very wide support for the good work that they do across the state. And I have been included in among their biggest champions. So we have worked very closely with Fiscal Office to ensure that this is in fact unallocated dollars that have already been appropriated that wouldn't interfere with existing projects or contracts that come under the auspices of that program. And I'll tell you very frankly and very candidly as a member of the Appropriations Committee where we've had a lot of dialogue about the operation of the microenterprise program in my short tenure, but four years on the committee, that there has been questions that have been brought forward in terms of its effectiveness and sustainability and current funding levels and otherwise. And I think that rather than eviscerate any of the good work that has happened under this program, this legislation is really a vehicle to provide an objective evaluation of that program and to see if and how it should continue forward in a myriad of other economic development tools that we can develop for small business and entrepreneurs. [LB1109]

SENATOR LANGEMEIER: Okay. I just don't want my question to reflect poorly on the Microenterprise Development Act in any way. [LB1109]

SENATOR CONRAD: No, right. [LB1109]

SENATOR LANGEMEIER: I'm just curious as they lobbied they were getting too big a cut before and they needed every dime they got. And now there's opportunity there. [LB1109]

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SENATOR CONRAD: Right. [LB1109]

SENATOR LANGEMEIER: I just wanted to clarify that. Thanks. [LB1109]

SENATOR CONRAD: Yes, thank you. [LB1109]

SENATOR WIGHTMAN: Thank you, Senator Langemeier. Any other questions?
Senator Nelson. [LB1109]

SENATOR NELSON: Thank you, Senator Wightman. Thank you, Senator Conrad. Just so I...I'm looking at the wording here and I know the Speaker asked about this, shall commission a nonprofit organization to provide research analysis and recommendations for the development of the statewide strategic plan. Are you contemplating then that this \$100,000 is going to go to a nonprofit organization that will do that research and then work and provide...is that what the goal is? [LB1109]

SENATOR CONRAD: Yes, that's right, Senator Nelson. And to be clear, I'm wide open to working with the committee to clarify that language to ensure that we're not creating a nonprofit corporation but it's rather in conjunction under contract for services rendered to conduct the evaluation and empirical analysis. [LB1109]

SENATOR NELSON: Are there entities that exist right now that could do that sort of thing for us,... [LB1109]

SENATOR CONRAD: There are... [LB1109]

SENATOR NELSON: ...for the task force? [LB1109]

SENATOR CONRAD: There are. And I'll tell you I primarily envision a group, I envision somebody like Invest Nebraska to conduct this kind of study and evaluation. And there are representatives from that organization here today. I know that you have heard from them as a member of the Appropriations Committee as well, who have specific Nebraska ties and specific expertise related to these new economy ideas and issues and who would really, I think, be the best folks to conduct this evaluation and pull together the research. [LB1109]

SENATOR NELSON: Okay, thank you. [LB1109]

SENATOR WIGHTMAN: Thank you, Senator Nelson. Senator Fischer. [LB1109]

SENATOR FISCHER: Thank you, Senator Wightman. Senator Conrad, would bids be required from these different groups? And how would they be accepted? Is there a procedure already set up or do we need to look at something if this legislation would

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move forward to add that to the bill? [LB1109]

SENATOR CONRAD: Thank you, Senator Fischer. And I think in conversation with legal counsel and staff on this very issue once this was referenced to Executive Board those competitive bid issues were brought to my attention. And I believe the threshold that we've presented, either in the legislation or through amendment, would provide a clear indicator that we wouldn't need to do a competitive bid on this but rather would be up to this committee or the task force to select that entity who conducts the research. [LB1109]

SENATOR FISCHER: Okay, thank you. [LB1109]

SENATOR WIGHTMAN: Thank you, Senator Fischer. Senator Heidemann. [LB1109]

SENATOR HEIDEMANN: How much unobligated money is in Microenterprise Fund? [LB1109]

SENATOR CONRAD: It's my understanding, and you know these numbers change frequently as contracts come in and out, but the most recent information we have available from the Fiscal Analyst demonstrates that there is about an \$82,000 unallocated balance within this fund at the present time. And the amendment addresses that to bring the dollar amount down as well to match up. [LB1109]

SENATOR HEIDEMANN: What happens if in between the time this acts...that the rest of the money becomes obligated? [LB1109]

SENATOR CONRAD: Well, Senator Heidemann, I think that if this committee moves forward with this legislation and it is ultimately adopted by the Legislature, then this would signify our commitment and utilization of those currently unobligated funds. [LB1109]

SENATOR HEIDEMANN: Okay. Who...did somebody bring this idea to you or did you just as... [LB1109]

SENATOR CONRAD: For how to utilize the funding component or...? [LB1109]

SENATOR HEIDEMANN: To do this. [LB1109]

SENATOR CONRAD: To do the task force? [LB1109]

SENATOR HEIDEMANN: Yeah. [LB1109]

SENATOR CONRAD: No, this is sui generis, this is unique to my research and my

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personal legislative agenda. [LB1109]

SENATOR HEIDEMANN: Okay, thank you. [LB1109]

SENATOR WIGHTMAN: Thank you, Senator Heidemann. Senator Langemeier.
[LB1109]

SENATOR LANGEMEIER: Now a curious...thank you, Chairman Wightman. Now a curiosity question. This unallocated funding, who makes the decision to allocate it?
[LB1109]

SENATOR CONRAD: I believe the microenterprise program and funding stream operates in a manner that we appropriate dollars to the Department of Economic Development, which then contracts those out to a variety of different entities to offer funding to qualifying projects and programs. And the reason why there is an unallocated balance currently in this fund, which normally has been very successful and utilized down to the last penny, is because a few years ago when times were a bit better in terms of our tax receipts and economic conditions, the Appropriations Committee did provide a significant increase in funding to this organization for this program. And there is some backlog in terms of how that money has been utilized. And again, I think that this would be a wise utilization of that fund. I'll tell you really in thinking about how this bill came into my mindset was one of the first acts that I remember being a part of in terms of economic development issues as a member of this Legislature was a comprehensive evaluation of our economic development programs and primarily our tax incentive programs where we saw as a state an evaluation of how LB775 worked, and then we saw what needed to be evolved and changed. And that created LB312, the Nebraska Advantage Act. And then later we all worked together to adopt the Nebraska Super Advantage Act. Well, under the guise of that same...those same efforts and these same policy considerations, we have yet to provide a comprehensive evaluation of our economic development tools targeted to smaller companies and entrepreneurs. And this is really what was the driving force in bringing forth this legislation to have that kind of an evaluation to see what's working, what's not working. Is microenterprise still the right way to go? Does it need to be expanded? Do those funds need to be limited and utilized elsewhere? I mean, I have no preconceived notions about what this report will ultimately entail. But I think that there are questions being asked about those programs in existence and if they serve the highest and best purpose of our limited resources. And I think it would be helpful to the programs involved to be able to say yes or no. And I envision them being a full partner in this effort and having full engagement with the task force as we conduct this effort. [LB1109]

SENATOR LANGEMEIER: Very good. We're learning a lot. Thank you. [LB1109]

SENATOR CONRAD: Sure. [LB1109]

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SENATOR WIGHTMAN: (Exhibits 4 and 5) Thank you, Senator Langemeier. Other questions? If not, thank you, Senator Conrad. At this time we do have two letters of support. I think all of the committee members have those before you. One from the Lincoln Chamber of Commerce, written by Bruce J. Bohrer, Executive Vice President and General Counsel, and one from Nebraska Economic Developers Association, written by Devin Meisinger, President of the organization. I will place those in the record as being letters in support. I might ask for a show of hands on how many would intend to testify in favor of LB1109? Okay. How many who would testify in opposition to it? In a neutral capacity? Okay, we will continue. [LB1109]

CALEB POLLARD: Senator Wightman and members of the Executive Board, my name is Caleb Pollard, C-a-l-e-b, last name Pollard, P-o-l-l-a-r-d. I'm executive director of Valley County Economic Development and the Ord Area Chamber of Commerce. And I'm here on behalf of my organization as well as a representative of the Nebraska Economic Developers Association. And I'm here today to express my support for LB1109, the Nebraska Innovation and High Wage Employment Act. The reason for my support is simple. Entrepreneurship is growing exponentially in importance to our American economy. And as a developer in Ord, entrepreneurship and business coaching has been on the most effective economic development strategies we've created in delivering pronounced economic gain to our county. Economic and entrepreneur coaching and education is a cornerstone to our economic development educational delivery models. This inward focus on economic development, one focused on grooming entrepreneurs and business startups has helped Ord and Valley County achieve some striking results. And I would like to remind you as I give you some of these numbers that kind of justify why entrepreneurship is important to us, I want to remind you that Ord is about 2,100 to 2,200 individuals and the county, as a whole, is 4,500. Over the last ten years, Valley County has been the beneficiary of significant economic gains. From 2004 to 2009, overall valuations in our county grew 46.73 percent and overall tax receipts increased 49.56 percent. This growth did not result from raising taxes. This growth resulted from job creation and investment. According to a new economic and demographic trend report released by the Nebraska Public Power District, total nonfarm wage and salaried employment in Valley County increased 15.9 percent from 2001 to 2008, compared to a 5.6 percent increase for Nebraska as a whole. Little rural Valley County beat the statewide employment growth average by over 10 percent in the last ten years, the supposed time in some communities of rural economic decline. Furthermore, over the last ten years Valley County has experienced the creation of 100 new businesses, 17 expansions, and 21 business transitions. Our net taxable sales tax receipts have grown significantly over the same time and our local retail pull is the strongest we've seen since 1991. Our unemployment rate continues to hold steady around 3 percent, and we continue to carry the strategic work force shortage through the recession. One thing I'd like to point as well is this growth has helped instigate other community investments that include a new hospital, a new

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school, a new fire hall, a new downtown reinvestment and renovation project. And ultimately what I think is most important for rural Nebraska is a new attitude about our future. Even with these positive trends, we still have our challenges. Our net population is still in decline, I'm not going to lie about that, and our county's average resident age is significantly higher than the Nebraska average. So for us we're looking at a significant phase of business transition. We have viable businesses in our county that we need to find new entrepreneurs to help run these businesses. Financial and institutional support of Nebraska's entrepreneurs is imperative to rural Nebraska's future. This entrepreneurship has provided the spark for our citizens to attack challenges in our community with several positive results, and these are on our own. Our historic growth is the testament that entrepreneurship is sound economic development policy. It's the mechanism in which both rural and urban Nebraska can emerge first from this economic recession. I sincerely appreciate the time to share my message today and invite you to please support LB1109. Thank you very much. [LB1109]

SENATOR WIGHTMAN: Thank you, Mr. Pollard, for being here. Do we have any questions? Senator Fischer. [LB1109]

SENATOR FISCHER: Thank you, Senator Wightman. Thank you for coming. You're my neighbor. It sounds like Valley County is a success story. You had, I believe you said, over 100 new businesses that have established themselves as a result from job creation and investment. How did that job creation and investment come about? [LB1109]

CALEB POLLARD: I think at first it starts from a capacity standpoint. As the local leadership realized in 1999, that we were, like a lot of other Nebraska communities, significantly in decline, and so "attitudinally" they changed their approach to how they addressed situations within the community that included economic ones. And so one of the first things that was enacted, which is already in existing law, which is a phenomenal law if you look at it, is LB840, which is the local option for municipal economic development. And what that's allowed us to do is create a loan pool, which I set for the budget of 2009 to 2010 at \$1.12 million, again for the county of 4,5000, give or take. That has helped finance not only business creation, but it's also instigated significant private investment from our local lending community. We've actually increased our overall banks within the area by one or two new banks. And what that has allowed us to do is give some of the meat to actual financing of this growth. [LB1109]

SENATOR FISCHER: Are you a native of Valley? [LB1109]

CALEB POLLARD: I am not. I'm a native of Nebraska and rural Nebraska, but I'm not of the area. I just fell in love with it a while back. [LB1109]

SENATOR FISCHER: In your comments and welcome then to Valley County and rural Nebraska. Where did you grow up? [LB1109]

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CALEB POLLARD: I'm originally from Nehawka, Nebraska. [LB1109]

SENATOR FISCHER: Okay, southeast. [LB1109]

CALEB POLLARD: Southeast Nebraska. [LB1109]

SENATOR FISCHER: Okay. It sounded like from your comments that you see a need existing in the transfer of businesses in rural Nebraska. How is that going to happen? What...I guess, I'm thinking, what good is this bill going to do? You already have seen growth in Valley County, you already have a number of leaders in Valley County who are willing to put up. How is this task force going to help in the transfer of businesses? And aren't there other organizations and groups out there, from the University Extension to GROW Nebraska, which I have a number of my constituents are strong supporters of GROW Nebraska and want to see more money in there, to building entrepreneurial communities, which passed in 2005 or 2006, to the Microenterprise Act. Why do you need this one? [LB1109]

CALEB POLLARD: Those are all great questions. I think, again, getting back to what Senator Conrad said, first and foremost I think we need to take a fresh look at whether these programs that you just mentioned are actually working. To a degree, I would agree that they have worked at an exceptional level in some communities in certain circumstances, including my own. And I can give a couple examples of partnerships that I've worked on, specifically with REAP, which is the Rural Enterprise Assistance Project. But one thing that is, I think, often ignored is that there isn't any sort of venture capital fund that helps overcome some of the challenges that we have when it comes to high growth economic development. And, you know, Dane and I were talking prior to coming in here is that farming is ripe for entrepreneurship. And also look at the fact that farming also holds the oldest age demographic when it comes to the work force, age 55 is the average farmer age in the state of Nebraska. And I don't know the figures for ranching, which I know would have an impact for you. So when I look at good business ideas that come into my office and bad business ideas that come into my office, one of the big catches is money, is gap financing to get to the yes for the actual loan. For us seed money is important, especially with younger entrepreneurs who are graduating with greater university loan debt, community college loan debt. And so taking a holistic approach of how the educational system plays into some of these funding mechanisms is a very important part of this very broad approach to economic development. And I do believe we have some folks here today from the university that can elaborate on that a little bit more effectively. [LB1109]

SENATOR FISCHER: Thank you. [LB1109]

CALEB POLLARD: Thank you. [LB1109]

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SENATOR WIGHTMAN: Thank you, Senator Fischer. Mr. Pollard, I guess how long did you say, and you may have said how long you've been at Ord as an economic developer? [LB1109]

CALEB POLLARD: I've been there only about 15 months. So it's been an entirely new experience to be part of a community that has a really what I consider a positive attitude towards their future. I've been involved in economic development now for about five years, four and a half to five years, and so I have had an opportunity to see several other rural communities, including Valentine, Mike Burge is a good friend of mine. And seeing the other development that has been instigated in some communities, but I've also seen a lot of communities that are unfortunately dying. And that's the reality of what they face. [LB1109]

SENATOR WIGHTMAN: As a follow up, did Ord or Valley County have an economic development office prior to your coming there? [LB1109]

CALEB POLLARD: Yes, they did. [LB1109]

SENATOR WIGHTMAN: And in most of these, you had mentioned a number of businesses, you gave us a number. I don't remember it. But have most of those developed since you've had an economic development office? [LB1109]

CALEB POLLARD: Absolutely. Those all were tracked from the inception date of economic development in our counties. So from 2000 onward, which is when we passed an interlocal agreement between the county, the city, our chamber of commerce, and what I call our band of merry do-gooders to create the mechanism for economic development. And then we tracked from then onward what business creation has been since then. [LB1109]

SENATOR WIGHTMAN: So it sounds like a very progressive community, I will say that. Any other questions? Thank you, Mr. Pollard. [LB1109]

CALEB POLLARD: Thank you. [LB1109]

MICHAEL DIXON: Thank you. Michael Dixon, M-i-c-h-a-e-l D-i-x-o-n. I'm with the UNeMed Corporation at the University of Nebraska Medical Center here in support of LB1109. And what I wanted to do briefly is just tell you what the university is doing in this and why UNeMed, why I'm here. What UNeMed is, is a technology commercialization arm for the University of Nebraska Medical Center. So right now we have about \$125 million in biomedical research that comes in from grants, companies, and other resources that come in and allow us to do the research that we do. From that research new ideas are created--cures for cancer, Parkinson's, Alzheimer's, medical

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devices that help make surgeries better, faster, cheaper. What happens is when these ideas occur our researchers come to my office and then we put appropriate protection in place, intellectual property, patents, copyrights, trademarks, and then we work with companies to develop that technology so it can be a product. The university comes up with the ideas but we don't create the final product. We need companies to work with in order for that to occur. So what we do is interface with our researchers, get the proper protection in place so that we can leverage that research, those inventions, so that companies invest in the technology and develop it into products. And our main mission is to derive financial benefit for our inventors and for the university. We're a relatively young office, this type of activity has only been going on a short time. But what it lends itself to is creating companies that can grow locally. And I'm very focused on biomedical technology. You'll hear from my colleague who's got probably a wider array of technologies. But in the biomedical world the technologies that we create have the potential to be \$2 billion drugs. And so as these drugs are created and developed, if we can keep some of these technologies and grow them locally, the financial benefits that can come back to the state are tenfold more than if I licensed these technologies out to companies like Roche, Merck, Lilly, Pfizer. As soon as we license the technology out the university may derive financial benefit, but the state really doesn't get much other than more research at the university and a few jobs. If we're able to create a local company that can develop the technology what we'll get is more high-paying jobs, these are Ph.D. level individuals that will be doing biomedical research, increasing the tax base and also increasing our biotechnology economy locally that we have here. So I'm also a board member of Invest Nebraska and very much in support of the efforts that Invest Nebraska has right now to develop high technology entrepreneurial-based jobs because of the potential economic benefit it has to bring back to the state and allow us to grow our research enterprise and also the local biotechnology community as a whole. Right now with the research that we do, the \$125 million, we get about 60 new inventions a year. And from that we generate 12 to 18 licenses. Not every technology is right for a local startup. But when we do have a technology that's right we'd very much like to be able to have the financial capital and entrepreneurial capital, human capital, available in the state so that we can work with them to develop that technology locally. Right now, I think there are gaps in both. There isn't venture capital per se in Nebraska, not at the level, the \$4 million to \$5 million seeds that we're looking for. And to get the venture capitalists to come in they oftentimes want to take the technology out. Over the past two years, we do about two startups a year. The majority of the startups have went to the coasts. We did a large startup in Boston for a protein purification technology. And we also did a startup in southern California for nanoparticle delivery technology. We've recently taken extended efforts to try to recruit a CEO and have just signed documents to create a local startup company in Nebraska. We've recruited a CEO to come and be in Nebraska. And he's raising money right now. And it's difficult, the climate is difficult but he's...we're pressing forward. So I guess, what I want to leave you with is that the university supportive of these efforts. They put significant resources into my office and into growing technology at the Medical Center. And we'd like to see expanded efforts

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along with the state, private/public partnerships, like we're having with Invest Nebraska, so that we can continue to develop these technologies and bring economic benefit back to the state of Nebraska. [LB1109]

SENATOR WIGHTMAN: Thank you, Mr. Dixon. Now did you say you were with UNeMed Corporation which is a corporation... [LB1109]

MICHAEL DIXON: UNeMed, yes, U-N-e-M-e-d, we're the technology transfer corporation. We're actually a for-profit corporation that's owned by the Board of Regents. [LB1109]

SENATOR WIGHTMAN: Owned by the Board of Regents? [LB1109]

MICHAEL DIXON: Um-hum. [LB1109]

SENATOR WIGHTMAN: Thank you. Senator Fischer. [LB1109]

SENATOR FISCHER: Thank you, Senator Wightman. Thank you for being here. You're raising more and more questions for me all the time. And I don't...we don't have time to go through all this, I don't think. The University Med Center, correct? [LB1109]

MICHAEL DIXON: Yes. [LB1109]

SENATOR FISCHER: You have recruited and paid a CEO to look for venture capital. Is that correct? [LB1109]

MICHAEL DIXON: We have actually recruited someone to move to Nebraska and be the CEO of a new company. As far as payment, he's taking equity in this company to get it going. So we've executed a license agreement with him. [LB1109]

SENATOR FISCHER: To find venture capital. [LB1109]

MICHAEL DIXON: Um-hum. [LB1109]

SENATOR FISCHER: So there's a move on through the university system already to accomplish that? [LB1109]

MICHAEL DIXON: We're actually a little outside the university. Again, we're a for-profit corporation so our activity is not university. We're owned by the university, but our activity is...yes, outside. [LB1109]

SENATOR FISCHER: Is yes. Okay. Does the university have a strategic plan in place to look for venture capital and to help build entrepreneurship? [LB1109]

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MICHAEL DIXON: It's part of our strategic plan at UNeMed. So all the technology transfer activities that occur at the Medical Center go through UNeMed. And so as part of our strategic plan is to identify technologies which are appropriate to form a startup platform-based technologies. And then, if possible, identify property management and potentially proper funding to get these companies going. [LB1109]

SENATOR FISCHER: And how long has your strategic plan been in place? [LB1109]

MICHAEL DIXON: We reorganized in 2007 and staffed up at that time. We've been working to develop the plan and develop these technologies for...before that. But the real gearing up has been since 2007 and on. [LB1109]

SENATOR FISCHER: So for two to three years. [LB1109]

MICHAEL DIXON: Yes. [LB1109]

SENATOR FISCHER: But you are supporting the Legislature funding a task force for a year to do some of the things that you are currently...have been in the process of doing two to three years and on a grander scale. Because this bill would be for a statewide strategic plan, correct? [LB1109]

MICHAEL DIXON: No. That's a good question. I think that what we do is much more myopic than what this bill proposes to do. [LB1109]

SENATOR FISCHER: Exactly my point. [LB1109]

MICHAEL DIXON: We're looking...we're looking...we're looking... [LB1109]

SENATOR FISCHER: And you've been working, excuse me, and you've been working on it two to three years. And this bill is only providing for a year to come up with a plan for a statewide strategic plan. [LB1109]

MICHAEL DIXON: Yes. It's only a part of what we do. The bulk of our activity is actually out-licensing activity. So much of what we do, our strategic plan has to do with protecting technology as it comes through, identifying, building relationships with existing companies. The activity of starting new companies and building new companies around technology is a portion of one of my employees. We have 13 full-time employees, it's a portion of what he does. The reason that it's only a portion of it is that it's only a few technologies fit that task. But when they do we're very committed to trying to find a way to grow them here. The proposed legislation I see as a first step in allowing the state to identify what are the programs that are working well, what programs are perhaps in other states that are working well that we can look to adopt.

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When I look at my colleagues just to the south of us in Kansas and also Iowa, Utah, their states have put together fairly extensive public/private partnerships which allow them to tap many additional resources. So instead of only having a staff of 13 working on this activity, there are community members which are very involved in helping bring technologies and coaching entrepreneurs to allow them to build their technologies. If you're a single entrepreneur without a support system, it's very difficult to get a technology, especially a biotechnology-based company going. [LB1109]

SENATOR FISCHER: Don't we have programs currently in place in Nebraska to assist entrepreneurs? [LB1109]

MICHAEL DIXON: There are programs right now to assist biotechnology-based companies, that expertise is lacking. [LB1109]

SENATOR FISCHER: But this strategic plan I don't believe it specifically earmarks or points to biotechnology, does it? [LB1109]

MICHAEL DIXON: I don't think so. And I think it's appropriate not to. I think the idea of entrepreneur-based companies should be broader than biotechnology. My expertise is biotechnology and so my testimony is very focused on biotechnology. I think it's essential, it's very important. And I would say that, you know, within the other circles, as this were to go forward, but I would hope that it would be much broader than that or else I think it would be missing the point. [LB1109]

SENATOR FISCHER: And hopefully one last question. You said this bill would be the first step. What's the second? [LB1109]

MICHAEL DIXON: I would probably leave that to Senator Conrad. [LB1109]

SENATOR WIGHTMAN: Be careful what you say in here then. (Laughter) [LB1109]

MICHAEL DIXON: You know, I really believe that to know where to go we need to know where we're at right now. [LB1109]

SENATOR FISCHER: Okay, good answer thank you. [LB1109]

SENATOR WIGHTMAN: Thank you, Senator Fischer. I have one or two questions. I'm intrigued by the idea of this corporation, UNeMed that you said was owned by the Board of Regents and that's separate from the University of Nebraska, am I right or not? [LB1109]

MICHAEL DIXON: The Board of Regents, yes, they have a company called the University Technology Development Corporation, which is a parent company that owns

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both UNeMed and you're going to hear from Dr. David Conrad, from NUtech Ventures, they own both of our organizations. It... [LB1109]

SENATOR WIGHTMAN: But the University of Nebraska does not...Board of Regents individually own that? I'm just trying to get a handle on what... [LB1109]

MICHAEL DIXON: So...the Board of Regents is the entity that then owns us. So it's the same entity that then advises the University of Nebraska or controls the University of Nebraska is the entity that we ultimately report up to. So everything we do gets reported back to the Board of Regents and they ultimately dictate what we do. [LB1109]

SENATOR WIGHTMAN: So you talked about having 13 employees. But they're employees of UNeMed and not the University of Nebraska or... [LB1109]

MICHAEL DIXON: So actually, we are employees of University of Nebraska. We are leased to UNeMed for this activity to occur. So UNeMed is a corporation and we're all University of Nebraska employees that then are leased to the corporation. And the University of Nebraska Medical Center pays to support us. [LB1109]

SENATOR WIGHTMAN: Senator White. [LB1109]

SENATOR WHITE: Thank you. Has your company yet paid taxes? [LB1109]

MICHAEL DIXON: Actually we did. [LB1109]

SENATOR WHITE: Excellent. [LB1109]

MICHAEL DIXON: We had a profit...we drew a profit two years ago and paid a large tax bill to the state of Nebraska. [LB1109]

SENATOR WHITE: Well done. [LB1109]

MICHAEL DIXON: You're welcome. [LB1109]

SENATOR WIGHTMAN: Any other questions? Thank you, Mr. Dixon. Next testifier. [LB1109]

DAVID CONRAD: Thank you, Senator Wightman and members of the Executive Board. My name is David Conrad, D-a-v-i-d C-o-n-r-a-d. I'm the executive director of NUtech Ventures which is somewhat a parallel organization at the University of Nebraska-Lincoln, as what Michael described with UNeMed. I want to take a slightly different approach to let you know why I'm in support of this LB1109. Having grown up in North Carolina during a time which I saw the state move from a tobacco, furniture,

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textiles economy to one that's now thought of probably more for biotech, I've seen the challenges and opportunities that state went through. I've also seen the challenges we've had in moving our university to be closer to the business community. So I want to focus on about four different concepts that I think are important. And I think they'll illustrate why I think this is an important piece of legislation for you to consider. The first is perception, we moved our organization outside the university because the best universities that were doing a good job in commercialization or starting businesses, small businesses based on ideas the students had and the faculty came up all had their tech transfer offices as a separate entity, so it had become a best practice across the country. And what that led to is if your organization was still in the old model it was somewhat of a negative perception associated with not following what had become best practices. I think that not doing anything to produce a shared vision for entrepreneurship and innovation for a statewide program in Nebraska, not having that may send a negative perception since most of the successful states probably have something in place or at least are working on that type of plan. The second one is the environment. Whether it be true or not, there's a perception amongst industry that it can be difficult to work with universities. And that's because they don't live within the same environment, they don't have the same time demands, they're not as entrepreneurial, they don't work on the same time scales. So just moving outside helped us create a more entrepreneurial environment within our organization. In terms of the state that translates in my mind to infrastructure. So what I saw happen in North Carolina during that time period was that there was an influx of people who moved from the northeast into the south. And with those people came expertise, attorneys, accountants, people that had been entrepreneurs and had a different way of doing business than what had been commonly done in the south. So they acted as mentors. They gave the people in the state the confidence to pursue more entrepreneurial activities. The community college systems got involved and people who were once working in furniture or textiles decided that this was an activity that they could transition into. That led to better paying jobs, more jobs. And people started staying within the state when they finished school. In RTP, most people don't consider leaving when they finish and parents don't encourage their kids to leave, they encourage them to stay. And it's an exception when people move away because they have that infrastructure, those kinds of jobs. The third thing is culture. We tried to change our culture within our organization by bringing people from other successful universities. It turns out Wisconsin, the University of Wisconsin-Madison has probably one of the best known tech transfer offices, it's called WARF. So we actively recruited people to bring that culture to our organization. That's analogous to what I saw happening when people from the northeast move to the south. So I think it's more than just doing a study and having consultants write a plan. I think there should be some cross-transplanting, some fertilization where we study by visiting those places and having people from those areas visit Nebraska. Because I think it's absolutely impossible for people from other regions to craft a plan that would work in Nebraska having lived in different areas. And the final piece I'll say is identity. The last step in this whole process is the people of Nebraska having a cultural identity to say,

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entrepreneurship and small businesses, we're just known for that, we do that, that in some way defines us. That took a long time for people in North Carolina to come to terms with that. You don't give up what you used to do. You don't lose agriculture, you simply add another piece on. And right now there aren't enough mentors for faculty and students to give that level of confidence and mentorship so that people feel that it's attainable and they have the confidence to easily create those types of businesses. So I think this is, as Michael said, it's the first step in that direction that changes those perception and starts to create the kind of culture where entrepreneurship can flourish, and that's why I'm in support of LB1109. [LB1109]

SENATOR WIGHTMAN: Thank you, Mr. Conrad. You're no relation, I guess, to Danielle Conrad,... [LB1109]

DAVID CONRAD: No, I'm not, sir. [LB1109]

SENATOR WIGHTMAN: ...one of our own? [LB1109]

DAVID CONRAD: Yes. [LB1109]

SENATOR WIGHTMAN: Thank you. Senator Fischer. [LB1109]

SENATOR FISCHER: Thank you, Senator Wightman. Thank you, Mr. Conrad. Do you see this task force as studying what programs specifically, programs that are state programs and financed by the state, do you see them studying private programs that different businesses or chambers or there's a variety of leadership programs across the state that are put on by different communities, who is the task force going to study? [LB1109]

DAVID CONRAD: That's an excellent question. I'm a firm believer that it needs to be an integrated plan in its final form that would have to involve folks from economic development, the private sector, government sector and the academic sector or the university sector for it to work efficiently. I agree with your earlier comments that there are many different groups that are engaged in studying and fostering entrepreneurship. I'm not sure that it's tightly integrated. So I would suggest or think that one of the plans would be to study what's working in other states. But more than individual programs, study the integration of which some states have perhaps been quite successful in putting it together in a way that doesn't duplicate but functions more as an integrated type system. [LB1109]

SENATOR FISCHER: And I would applaud you if that could happen. I doubt if it could. I've been here six years now and I continually experience new economic development programs, whether they're for rural Nebraska or urban areas, and nobody is willing to give up the old one. We all have our little territories that we protect here, whether it's as

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senators or bureaucrats or the university. Who do you see this plan benefitting? Maybe we'll have more people coming up, but so far and from your words you mentioned faculty and students. Is this to benefit the university and the state is being asked to pony up the money instead of it coming out of the university budget? [LB1109]

DAVID CONRAD: Absolutely not, and I think it would benefit people across the state of Nebraska. Although there probably isn't enough mentorship within Lincoln and Omaha and at the university, there's still more there than in rural parts of Nebraska. The demand is even greater... [LB1109]

SENATOR FISCHER: I'd counter you on that. [LB1109]

DAVID CONRAD: Okay. That's your right to disagree. As I travel, I guess, it depends on what type of entrepreneurship you're speaking of. In terms of lifestyle entrepreneurship, I would agree with you that in many ways there's more support in areas of western Nebraska. But if you limit it to the type of companies that need investment from angel investors or venture capital, things that demand money that needs to be raised, I think there's still a big demand for that that's not present. And I say that this plan might be a vehicle for integrating it, even if there are multiple groups doing entrepreneurship. What I think might be lacking is a central plan that outlines those roles and coordinates those efforts. And I haven't seen anything functioning in that more of an umbrella, structural, organizational type framework. [LB1109]

SENATOR FISCHER: Well, and where this bill specifically speaks to high wage jobs, I would imagine that it would focus more in urban areas of the state and with the university and colleges and large businesses rather than in the rural areas. How would you respond to that? [LB1109]

DAVID CONRAD: You know, I really don't think so. I think there are opportunities for people in more rural areas to end up with technologies in manufacturing situations where they could be quite high value products, especially with the movement now toward clean energy, toward green building and manufacturing. Those jobs can occur in areas where they can be sold to Colorado or California. There's no reason manufacturing high tech...I saw that happen in North Carolina where it didn't all happen in RTP, it spread across the state. [LB1109]

SENATOR FISCHER: How would you find the employees for such jobs in rural Nebraska? [LB1109]

DAVID CONRAD: I think it is a matter of training through the community college systems, training the people to do those kind of manufacturing jobs. And I know there is stimulus money that's coming into Nebraska, into...probably into the community college system that's probably aimed at doing some of that type of training. [LB1109]

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SENATOR FISCHER: Okay, thank you. I will try and limit my questions from now on. [LB1109]

SENATOR WIGHTMAN: Thank you, Senator Fischer. Thank you, Mr. Conrad. Any further questions? Thank you for your testimony. [LB1109]

DAVID CONRAD: Thank you. [LB1109]

SENATOR WIGHTMAN: Next testifier in favor. [LB1109]

DUSTY DAVIDSON: Thank you, senators. Good afternoon. My name is Dusty Davidson, D-u-s-t-y D-a-v-i-d-s-o-n and I, along with my colleague and good friend, Jeff Suobotski, also here this afternoon, founded an organization called Silicon Prairie News. The primary goal of Silicon Prairie News is simple--highlighting and promoting the region's truly talented entrepreneurs and innovators. Our story started nearly two years ago as my friend, Jeff, was traveling around the country for business. As he traveled about he would see and meet individuals who were doing amazing things and deep down he knew that there had to be similar stories coming from Nebraska. My own path started shortly out of college at a point which I like to say I was determined on going to Silicon Valley. As a technology person that is the place where cool companies are, the Google's, the FaceBook's, the Pixar's of the work. And it wasn't until life circumstances forced me to remain here that I...and I started my own software company here that I realized that possibilities actually do exist here. And so Jeff and I started Silicon Prairie News as a Web site to help others come to these conclusions as well. Our approach is nontraditional, it's grass-roots, it's bottom-up and it's aimed and inspiring and empowering new and would-be entrepreneurs. Each and every day we share the stories of some of the amazing talent and successes that exist in an effort to showcase to others that you can start a business here. You don't have to leave for Silicon Valley. Believe it or not, there's cool right here in Nebraska. In addition to the Web site, we build excitement and awareness of entrepreneurship through events. We realize that it's important to connect people on-line but also off-line as well. Our very first event we brought in an author from Silicon Valley, named Sarah Lacy. At that event, held in downtown Omaha, we had over 150 entrepreneurs, investors, creative types, marketers, and just regular folks all intermixed, excited and engaged about entrepreneurship. Last May, we held the first ever Big Omaha Conference at the Keneco Art Gallery in downtown Omaha. We brought in some of the top young entrepreneurs from around this country for a two-day event to share their stories and inspire over 400 of this region's best and brightest. Through our partnership with Invest Nebraska we help coordinate idea competitions or pitch competitions quarterly held both in Lincoln and Omaha. These competitions help to serve to get people out of the woodwork and share their ideas for a chance at a \$1,000 prize who wouldn't necessarily be entrepreneurial previously. Long term, we're committed to building and fostering a

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vibrant ecosystem centered around entrepreneurship, innovation, creativity and enterprise. We believe strongly that we as an organization must work with other organizations, such as Invest Nebraska, the university systems, the chambers of commerce, foundations such as the Kauffman Foundation, and others in an open and collaborative fashion in order to truly put Nebraska and the entire Silicon Prairie on the national stage. Building an ecosystem as this is a huge undertaking and involves buy-in at all levels, bottom-up and top-down. We speak a lot about the components that make up such an ecosystem--access to capital, a strong university system, a culture of risk-taking, and the list goes on and on. We're excited to do...we're doing our best to influence change in the areas where we're able. And we're very excited to be a part of efforts such as LB1109, to help fill the gaps that remain. We at Silicon Prairie News are passionate about building our state and our region into an entrepreneurial hot spot and appreciate the opportunity to testify on behalf of LB1109 today. Thank you very much.
[LB1109]

SENATOR WIGHTMAN: Thank you, Mr. Davidson. Do we have any questions? Seeing none, thank you. Next testifier? Do we have other testifiers in favor of LB1109?
[LB1109]

CHARLES HULL: (Exhibit 6) Good afternoon, Senator Wightman, senators, thank you for giving me the opportunity to speak today. My name is Charles Hull, and the last name is spelled H-u-l-l. And I'm here representing Archrival, we're a Lincoln business here in Lincoln. Just to give you a little background, I think the value that I'm bringing to this discussion is a good representation of the type of company that potentially this type of bill could benefit ultimately. And so I just want to tell you a little bit about our firm and a little bit of our history and a little bit about the people that we employ and the type of jobs that we create. So in a review, Archrival is a youth brand marketing agency. And essentially in short, we help consumer brands engage and connect with a youth audience, both on-line and off. The scope of services that we provide include branding, advertising, content development, interactive development, Web site, digital games, FaceBook applications, I-Phone applications as well interactive media services. A little bit of the background of our company. Archrival was founded by myself and my partner, Clint Runge, when we were actually juniors at the University of Nebraska in the College of Architecture. And my partner, Clint, also has a dual degree in advertising. And the company was really founded by...at the time we were just working as a freelance group. And we were also part of Students in Free Enterprise, which is an entrepreneurship organization at the university. And some of our professors connected us with the entrepreneurship center at the University of Nebraska. And to make a long story short, they helped us write a business plan for the business that we were...the design business that we were doing. We entered several different business plan competitions, we placed third at the University of Nebraska Business Plan competition. And really what that did was gave us the confidence and some of the initial support that we needed to launch our firm. That was 12 years ago. Today, Archrival is staffed by

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nineteen employees and with professional backgrounds in advertising, architecture, graphic design, fine art, computer science, digital and traditional media. These are very talented young people. The average age of our employees is 27. And all of these employees have opportunities to go outside of this market to larger, more established, more well-known creative markets, such as Los Angeles, Minneapolis and New York, and they get offers all of the time to do so. Archrival, we're one of the only...one of only 14 firms in the nation that was recently selected by FaceBook, I'm assuming you're all familiar with FaceBook, as one of their 14 preferred developer consultants. And we're actually the only company in the Midwest who were selected. The other companies are either based in New York or the Silicon Valley. Over 80 percent of our revenue comes from outside of the state from a client base that includes RedBull Energy Drink, Loreal', Microsoft, Pabst Brewing Company, A&E Network, Red Bull Racing, the New York Red Bull's major league soccer team, Walgreen's, Honda, and State Farm, that's the bulk of our clients. Looking ahead, we're definitely committed to being here in Nebraska and staying here in Nebraska and continuing to grow here in Lincoln for a variety of reasons. But some of our future plans include...we're in the process right now of building a new \$1.5 million headquarters here in Lincoln in downtown, which will help us grow and accommodate another additional 15 jobs within Archrival itself. Outside of Archrival, over the last 12 years, as we've gone from a startup that was boot-strapped to, you know, a growing company, to a relatively established firm that we are today, we're now starting to go back to some of the entrepreneur roots that exist at Archrival. And on the strength of Archrival and the financial backing that we kind of have internally, we're also now starting to develop spin-off companies from Archrival. We have currently incorporated two, actually, new startup firms in the last year, one including a FaceBook-based business that is a beauty play in the emerging on-line beauty market, and secondly, as an additional marketing firm that essentially provides brands with a national college network of students who exist on campuses to help those brands build their network through buzz and word of mouth tactics. So those are two new companies that we've started who are very much in the startup phase at this point. So in conclusion, from what I understand of LB1109 and the implications that it could lead to, is that to me it seems like a great place to start to help companies like Archrival and companies that are starting up like Archrival, help us be successful and not only now but in the future as well. So with that, I'd entertain any questions that you might have. [LB1109]

SENATOR WIGHTMAN: Thank you, Mr. Hull. Thank you for being here. Senator Fischer. [LB1109]

SENATOR FISCHER: Thank you, Senator Wightman. Congratulations on your success, that's very impressive. But how specifically, if you were starting up and starting over, would this bill help you? [LB1109]

CHARLES HULL: Well, at this point I don't know because there's no specific programs

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that it identifies. From what I understand of it, the phase of it now is more or less to put together a task force to help do the research to identify what programs are needed. And I can say as an entrepreneur who has boot-strapped a company from the ground up here in Nebraska, that those programs, I don't know what they are, but anything would help. And we're a company who has started from the ground up. And we have boot-strapped the company on credit cards, on side jobs, on whatever it took to help us get to where we are. And we have never received any outside help from the state or other sources of funding, other than family. And so,...sure go ahead. [LB1109]

SENATOR FISCHER: Did you contact the University of Nebraska or the Department of Economic Development for any help or information when you were getting started? Did you look for programs? [LB1109]

CHARLES HULL: When we got started, again we were...I was 22 and my partner was 19. And we were extremely young and naive. And we were both just graduated. [LB1109]

SENATOR FISCHER: So you didn't know you couldn't do it. [LB1109]

CHARLES HULL: I didn't...I just...yeah. To this day, I'm not aware of what programs exists. And it's not so much that I don't think they're out there. It's just my focus is every day my business. And the climate that I'm used to in Nebraska has been one where it's...from where we started to this date, and it is really, you know, it's starting to change over the last two or three years. But we've always felt a little bit of an island just because of the nature of work that we do, for one thing. And really over the last few years, it's been a really welcome thing to see guys like Jeff and Dusty, for example, putting together and trying to create a community of entrepreneurs that then get together and share information. And it becomes again that word of mouth type of thing that reveal what opportunities do exist. And so, you know, anything that can help create and foster a community in programs that do that would be very welcome. Because the people that are on the ground doing this are so focused on paying payroll, getting through the next week, and getting that next business, finding that right person, we don't spend a lot of time digging through different programs that might or might not exist. [LB1109]

SENATOR FISCHER: I congratulate you again for putting together your support group. My family has experience in that. Twenty years ago we started holistic management on our ranch and connected with other ranchers around the state, on our own, who had an interest and were trying to implement those practices. And you do, you form your own communities. If you didn't contact early on, when you were 22, the university or the Department of Economic Development, what makes you think this bill, by having a task force and doing a study and setting it up is going to change any of that for future entrepreneurs? [LB1109]

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CHARLES HULL: Well, I just think again anything helps. I know that a lot of our success that we've had as...there's been, you know, it's hard work and luck. And there's another factor there that I think that this bill could help create that would just give future entrepreneurs and companies that are starting up, you know, that one extra component that can help them be successful. And that's programs and community and the things that, you know, can give them one more leg up. I mean anything helps. And so again, you know, from what I understand of the bill, it's at this point just about identifying what the needs are. And the question you asked...one question you asked earlier was, who do you research? Well, I think companies like myself would be a great point to start because I've had many conversations with some of the people in this room about the different things that could be a great help to us. And so maybe this bill would lead to identification of those types of programs and tactics and things that are needed to help entrepreneurs be successful in business. [LB1109]

SENATOR FISCHER: Great, thank you very much. [LB1109]

CHARLES HULL: Thank you. [LB1109]

SENATOR WIGHTMAN: Thank you, Senator Fischer. I, too, congratulate you. And I think that perseverance and hard work usually lead to the good luck. So the good luck probably came from the long hours and hard work that you put in. [LB1109]

CHARLES HULL: Yeah, I mean if I could just add one last thing to that too. I'd, you know, it's important to me today, I'm not here to tell Archrival's story as much as I am to say that I represent...there's any number of companies just like Archrival who are either in the phase that we're at or more importantly entering the startup phase right now. I could name ten companies right now that are one, two people that are in exactly the same position that my partner, Clint, and I were 12 years ago. And you know, it's something like this bill could really help them be successful. And if that helps, then we're all successful. Thank you. [LB1109]

SENATOR WIGHTMAN: Thank you. We did have another question, I guess, if you could return. Senator Nelson. [LB1109]

SENATOR NELSON: Thank you for coming. And what you've been talking about is fascinating and the way you went on. I'm just...I'm interested. Did you originate the idea of youth brand marketing? Was that your idea? [LB1109]

CHARLES HULL: No, that's a focus, a speciality that we've developed over... [LB1109]

SENATOR NELSON: So that was in existence at the time you started up? [LB1109]

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CHARLES HULL: Yeah, essentially Archrival, when we started, was basically a generalist design firm. We essentially took any job we could get to pay the bills. And then over the years as we grew... [LB1109]

SENATOR NELSON: So the idea was already there. But you and your partner through innovation and new ideas and things, you know, succeeded by doing maybe new things. I...what I'm getting the impression is not what we need here is new ideas necessarily but just the support and the mechanisms to implement those ideas then. [LB1109]

CHARLES HULL: Yeah, the ideas are there. [LB1109]

SENATOR NELSON: Yeah. [LB1109]

CHARLES HULL: There's...there's...if you got into any of these conversations, they're like Big Omaha or any of the things that they're talking about, there's tons of ideas. [LB1109]

SENATOR NELSON: So this task force would go in that direction more and see, perhaps investigate what could be done outstate more and in rural communities as far as mentoring and support. Would you agree with that? [LB1109]

CHARLES HULL: For sure, I would agree with that. [LB1109]

SENATOR NELSON: Okay, thank you. [LB1109]

SENATOR WIGHTMAN: Thank you, Senator Nelson. [LB1109]

CHARLES HULL: Anybody else have any questions? [LB1109]

SENATOR WIGHTMAN: Anybody else? Thank you again. [LB1109]

CHARLES HULL: All right, thank you. [LB1109]

SENATOR WIGHTMAN: Other testifiers in favor? [LB1109]

SENATOR FLOOD: Mr. Chairman, should we advise the committees that we're running a little late and some of our members might be running beyond the scheduled hearing time for 1:30? [LB1109]

SENATOR WIGHTMAN: Good idea, we are running later than we had anticipated. And we will have committee members probably leaving to go to other committees. So again, if you can make your testimony concise, that would be appreciated. [LB1109]

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DAN HOFFMAN: Senator Wightman and members of the Executive Board, my name is Dan Hoffman. I'm the president of Invest Nebraska Corporation. You already have in front of you a little description of what Invest Nebraska has accomplished in 2009 through the Nebraska Operational Assistance Act, which was introduced by Senator Pankonin back in 2007. Just to kind of follow up with what everybody else has said and a lot of Senator Fischer's questions. Actually, our program, most of our money has been spent in rural Nebraska. You'll see my board of directors, most of them are Omaha or Lincoln, but a lot of our program is focused on rural Nebraska right now. And, I guess, if you see what is going on out in the rest of Nebraska, and especially with what Charlie Hull is doing at Archrival, what Dusty and Jeff has done organically just with Omaha and in the Midwest, I mean, there's some amazing things going on. And yet at the same time from our organization we see what is going on in other states and, you know, we are behind the times. I know the focus sometimes is on jobs. I know the focus sometimes is on keeping young people in Nebraska. One of the things, though, looking at the type of jobs that are out there and the Department of Labor, in their 2006 publication about what are the fastest growing jobs in Nebraska, you know, the top ten jobs that they see from 2006 to 2016 are truck drivers, registered nurses, retail sales persons, bookkeeping, nurses aids, office clerks, child care workers, which are all important. But you know, if we want to go ahead and keep our young people here in the state and have employers like a Charlie Hull, and do what Jeff and Dusty are doing, I think we maybe need to step up and take a look at that. The study, when Senator Conrad contacted us about it, we worked with her on some of the language. One of the things I've seen in the past with legislative studies is a lot of money is spent and then they wind up on a shelf somewhere. And in working with her for this study I thought it was imperative that actually the Legislature be the one to control this study and set the policy criteria, what's going to be involved with this study, what are the parameters of the study. It's the first step. But I think going forward we have to start somewhere. And it's not like the Nebraska Advantage and some of those programs where you see immediate successes, this will take some time. But I think we have to start planning for the future now. [LB1109]

SENATOR WIGHTMAN: Thank you, Mr. Hoffman. Any questions of Mr. Hoffman? Thank you. Anyone else wishing to testify in favor? Anyone in a neutral capacity? Senator Conrad, would you wish to close? [LB1109]

SENATOR CONRAD: Yes. Chairman Wightman and members of the committee, I want to thank you for your careful consideration and your time this afternoon. And to be clear, even though we've taken a bit longer than we had maybe anticipated, the folks who testified today represent a...really a fraction of the kind of activity and work that is happening in every corner of our state, and took time out of their business interests to come down here and to support this concept. Is it a magic bullet? Is it the end all and be all of economic development efforts that we need to look at in the state? No, I'm very

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realistic about what it is and what it isn't. But it's a starting point. And for the price tag that it involves and the framework that it sets forward, we can't afford not to move forward or we will be passed by, make no mistake about it. Other states are moving in this direction. If we want to be competitive, if we want to be more competitive, if we want to address issues surrounding business development, entrepreneurship, innovation, research and development, and brain-drain, this is one way to start. And it's that, a starting place. If there are better ideas about how to accomplish it, count me in to that dialogue. I want to be a part of that. And I want you to be a part of this, the starting place where we chart a road map forward for a bright and healthy future that benefits all Nebraska. Thank you. [LB1109]

SENATOR WIGHTMAN: (Exhibit 7) Thank you, Senator Conrad. That will close the hearing on LB1109. We'll open the hearing on LB1101. And, I think, I can tell you this, it will be pretty short. I will present it and I'll ask Senator Nelson to assume the chair. [LB1109]

SENATOR NELSON: Welcome, Senator Wightman. [LB1101]

SENATOR WIGHTMAN: Good afternoon. For the record, my name is Senator John Wightman. I'm here today to introduce LB1101. And this should take a few minutes, maybe even one or two. First of all, I would describe LB1101 as a bill that allows us to keep our options open, and that's basically all it is as we consider ways to address the Legislature's budget shortfall. The Executive Board can implement furloughs and we can do this without legislation...for legislative employees, by making changes to the personnel policies for legislative employees. However, over the past month or so it has come to our attention that it is not clear whether legislative employees would be covered by the intent language in LB1 from the special session, which stated that it is the intent of the Legislature that state agencies may utilize furloughs and furloughs shall not adversely affect the employee and employer health insurance benefit contribution...premium contribution and service anniversary date nor shall leave earnings be prorated as a result of a furlough. Since the Legislature is not technically a state agency, it seemed prudent to introduce LB1101 and have as a placeholder, if we need it. If the Executive Board decides to use furlough I want to make sure that our employees health insurance premium contributions, service anniversary date or leave earnings are not negatively impacted. So that's the sole purpose. It would sit here and then may well be concluded that we do not need the legislation. I'm not asking anybody to advance it at this point but it would be here in the event we do determine that it might be needed at a future date. So if you have any questions, I'd be happy to answer them. But that's the sole purpose of the bill. [LB1101]

SENATOR NELSON: Are there any questions for Senator Wightman. [LB1101]

SENATOR WHITE: I do. This will be brief, John. Have you looked at or are we looking

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at the impact on contracts, like contract for disability insurance, contract for healthcare, contract for life insurance by interruptions in employment? Have we had our counsel kind of confirm that those are usually...we don't supply them, self-insured are usually contractual. [LB1101]

SENATOR WIGHTMAN: Right. [LB1101]

SENATOR WHITE: I just want to make sure that if we put somebody on furlough we're not interrupting various contractual... [LB1101]

SENATOR WIGHTMAN: Well, we believe that we probably are not. We haven't made an absolute conclusive decision on that yet. And so that's basically, Senator White, the purpose of the bill is just to leave it open. [LB1101]

SENATOR NELSON: Are there any other questions? Thank you, Senator Wightman. [LB1101]

SENATOR WIGHTMAN: Thank you. [LB1101]

SENATOR NELSON: Is there anyone else here to speak in support of the bill, LB1101? Is there anyone speaking in opposition to the bill? Is there anyone here to speak in a neutral capacity? [LB1101]

SENATOR WIGHTMAN: I'll waive closing. [LB1101]

SENATOR NELSON: If not, we will close the hearing on LB1101. And I return control to the Chair. [LB1101]

SENATOR WIGHTMAN: And with that, we are adjourned. That ran a little longer than expected, but we heard some good testimony. [LB1101]